



STATE BOARD OF EQUALIZATION
PROPERTY AND SPECIAL TAXES DEPARTMENT
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January 31, 2007

TO: INTERESTED PARTIES

Enclosed is a copy of Current Legal Digest (CLD) number 2007-1 for your information and review. The annotations included in this CLD are new proposed annotations (underlined) and/or suggested revisions or deletion of existing annotations (indicated by ~~strikeout~~ and underline). After review, please submit any questions, comments, or suggestions for changes *in writing* by **Friday, March 2, 2007**. These may be sent by e-mail using the "Comments Form" on the Board's website (www.boe.ca.gov/proptaxes/cld.htm), fax or mail. Here is the mailing address:

Board of Equalization
County-Assessed Properties Division
ATTN: Annotation Coordinator
P. O Box 942879
Sacramento, CA 94279-0064

Please note, the new annotations and/or suggested revisions of existing annotations contained in the enclosed CLD are *drafts* and may not accurately reflect the Board's official position on certain issues nor reflect the language that will be used in the final annotation, if formally adopted.

CLDs are circulated for 30 days, at which time any questions are addressed and/or suggested modifications taken into consideration. After approval of the final version by the Board's Legal Department, the changes will be posted to the Board's website under "Annotations" (www.boe.ca.gov/proptaxes/annocont.htm). After all proposed changes have been resolved, the CLD will become obsolete and deleted from the website.

This CLD is posted on the Board's website at www.boe.ca.gov/proptaxes/cld.htm. Copies of the backup correspondence are linked to each annotation via the annotation number. If a link does not work, please let us know by using the "Comments Form" on our website (www.boe.ca.gov/proptaxes/cld.htm). If you have any questions, please contact Glenna Schultz at 916-324-5836.

Sincerely,

/s/David J. Gau

David J. Gau
Deputy Director
Property and Special Taxes Department

DJG/grs
Enclosure

PROPERTY AND SPECIAL TAXES DEPARTMENT

PROPERTY TAXES CURRENT LEGAL DIGEST No. 2007-1

January 31, 2007

100.0000 AIRCRAFT

[100.0016 Fractional Ownership Interests.](#) An aircraft in which ownership has been divided into smaller fractional ownership interests, similar to a timeshare estate in real property without fixed dates of possession, may be taxable in California as a general aviation aircraft. Such fractionally owned aircraft may acquire taxable situs in California if the aircraft maintains a substantial presence in the state. If two or more states acquire the power to tax the aircraft owing to the aircraft's having acquired tax situs in their states, each state is to apportion its tax to the extent that the aircraft could also be taxed by another state. An apportioned value should be based upon the actual time the aircraft was in California.

If such an aircraft acquires taxable situs in California, the proper assessee of an aircraft that is operationally controlled by one entity and fractionally owned by multiple persons is either the entity or the fractional owners pursuant to Revenue and Taxation Code section 405. C 8/9/2006.

220.0000 CHANGE IN OWNERSHIP

[220.0043 Community Property.](#) Community property is not transmuted to separate property unless the requirements under Family Code sections 850-853 are met. Where spousal consents did not meet these requirements, the transfer of real property from a limited liability company in which the membership interests were community property to revocable trusts created by each husband and wife qualified for the exclusion from change in ownership under Revenue and Taxation Code section 62(a)(2). The transfers resulted solely in a change in the method of holding title to real property in which proportional ownership interests of the transferors and transferees remained the same in each and every piece of real property transferred. C 8/4/2006.

625.0000 PARENT-CHILD TRANSFERS

[625.0163 Principal Residence.](#) Revenue and Taxation Code section 63.1(b)(1) provides that a "principal residence" includes only that portion of the land underlying the principal residence that consists of an area of reasonable size that is used as a site for the residence. An area of reasonable size can include multiple contiguous parcels as long as all parcels are part of an economic unit and are not readily severable. Other factors that may be considered include minimum zoning requirements, physical terrain, access, and actual use. C 8/2/2006.

740.0000 SITUS

[740.0005 Aircraft.](#) An aircraft in which ownership has been divided into smaller fractional ownership interests, similar to a timeshare estate in real property without fixed dates of possession, may be taxable in California as a general aviation aircraft. Such fractionally owned aircraft may acquire taxable situs in California if the aircraft maintains a substantial presence in the state. If two or more states acquire the power to tax the aircraft owing to the

aircraft's having acquired tax situs in their states, each state is to apportion its tax to the extent that the aircraft could also be taxed by another state. An apportioned value should be based upon the actual time the aircraft was in California.

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